Statement of

The Honorable Russ Feingold

United States Senator
Wisconsin
July 19, 2007

Statement on S. 1145, the Patent Reform Act of 2007
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Mr. Chairman, I voted against S. 1145, the Patent Reform Act of 2007, because I believe the bill fails to strike a fair balance between patent holders and patent infringement defendants. This bill remains far too lenient on infringement. In its current form, it could potentially undermine one of the most important engines of American innovation.

The Constitution gives Congress the power to "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The Framers understood that granting exclusive rights to license an invention was the key to spurring technological development. Just as your home is not worth much if neighbors are constantly entering, eating your food, and sleeping in your bed, so the value of intellectual property rights depends on their security.

No system is immune to abuse, of course, and the more than five decades since the last major reform of the patent system have demonstrated some need for revisiting and reforming the law to deter strategic litigation and gamesmanship that little benefits the people of this country. I recognize that the Chairman has made an effort to bring competing interests to the table, soliciting the proposals of all groups, private and public, and presenting compromises that strive for a workable and just balance. I have supported much of Senator Leahy's carefully drafted language and I secured changes, with his approval, to better protect the patent rights of academic institutions.

Nonetheless, the two central provisions of the bill, in my view, are not balanced, and I therefore cannot support the bill that we reported. S. 1145 still includes an unlimited opportunity to challenge a patent's validity throughout its twenty-year life, the so-called "second window." One could be forgiven for wondering what kind of window opens, but does not shut. Though shoddy patents do exist and must be addressed, after careful consideration, I decided that defending a patent's validity throughout its life will be so burdensome that only patent owners with deep pockets could consider this a viable and attractive option. Moreover, since a patent will no longer be a presumptively valid seal of approval, but a mere opportunity to defend a claimed invention's novelty over its entire life, patentees will find it much more difficult to secure the investment necessary to bring a novel idea to market. Patents will be devalued and many inventors will opt for trade secrecy instead, undermining the Framers' intent to promote disclosure and public benefit through a strong patent system. S. 1145 borrowed its first-to-file system from other nations, but refuses to heed the experience of nations that experimented with second window review.

Unfortunately, the bill put far less energy into crafting proposals for more rigorous pre-grant examination of prior art and novelty. That is a way to deal with the problem of so-called "junk patents" without threatening the value of legitimate patents There are already some innovative programs operating on the front end to make the PTO's application review more informed, accurate and efficient. Moving forward, I hope that Congress abandons "second window" reexamination and that fresh thinking on improving application examination will be forthcoming.

Two other provisions in S. 1145 informed my vote: the mandatory apportionment of damages and the restriction of plaintiffs' ability to sue infringers in their home venue. The law governing damages in patent infringement cases goes to the very core of the patent system. Shifting to mandatory apportionment will create a system of de facto compulsory licensing that will neither adequately compensate the patent holder nor adequately deter future infringers.

Paying a royalty down the road will simply become the cost of doing business, unless the patented component part meets the high threshold of a "predominant basis" for market demand.

The truth is that, with the exception of a few possibly excessive awards, current law on damages is working. The fifteen Georgia-Pacific factors, which the courts have adopted, preserve flexibility for jury calculations by covering a wide range of real business circumstances. The royalty base may exclude the value added by an infringer and include the full value of products and services in demand principally due to the patented invention. By contrast, S. 1145's "prior art subtraction" method is unworkable given the complexity of modern products and straitjackets deliberations that already struggle to accurately capture the harm of infringement. Though my preference was to strike the damages section altogether, I did support the defeated Kyl amendment, which largely preserves current law, and Senator Grassley's proposal to codify all 15 of the Georgia-Pacific factors, which was not offered. I would even have considered a form of enhanced inter partes reexamination, which the House Judiciary Committee recently adopted, but two-window, post-grant review unfortunately carried the day.

Similarly, as reported, the bill's venue provision is skewed heavily in favor of infringer-defendants. It may be true that forum-shopping is a problem in patent litigation, but this provision sweeps too broadly. Though I am grateful for the carve-out for universities and non-profit patent licensing institutions, I think S. 1145 unduly restricts plaintiffs' choice of forum and will deter the filing of legitimate infringement suits.

I want this legislation to succeed, but I hope it will do so without undermining the stability of the patent system that has put America at the cutting edge of innovation worldwide. I look forward to voting for patent reform that adequately and fairly addresses these problems.